

Hot on the plate – China Connect

❖ **A-Share Market Hotspot Commentary 20190916: Upward oil prices have a limited impact on A-share earnings**

Strategy | The drone attacks have reduced Saudi crude oil production by more than half, sharply pushing up international oil prices in the short term. We reckon that the incident will however have a limited impact on A-share earnings. In the extreme case of WTI oil price rapidly rising to US\$75 per barrel and remaining at a high level, the 2019/20-20E net profit growth rate of A shares (non-financial) is forecast to be at 1.6%/15.3%, down 0.3/1.9 percentage points from the benchmark situation, and the impact on the 2019/2020E gross margin of the industrial sector is 0.05/0.81 percentage points respectively. In the short run, rising oil prices will exacerbate global concerns about economic stagnation. But for the domestic market, it will bring forward demand for inventory replenishment in the midstream and downstream, and drive a general price rise for domestic industrial products. As a result, economic expectations will actually improve faster.

❖ **Aug 2019 Economic Growth Data Commentary: As fundamentals are weaker than expectations, fiscal and monetary policies are expected to be further ramped up**

Macroeconomic | Aug 2019. data show that under internal and external pressures, the real economy is still at the bottom at present, with the monthly growth rate of industrial added value falling to the lowest level since 2009. At the investment level, real estate continued to outshine other sectors, but facing further downward pressure. Looking forward, we expect follow-up fiscal and monetary policies to be strengthened further. Part of the special debt quota for next year is expected to be issued in the fourth quarter, ahead of schedule. The financing interest rate for entity companies is also expected to fall further in the near future and underpin economic growth.

❖ **Internet Video Industry Thematic Report No.6: Surging sports streaming media**

Media | Sports is an essential field of competition for streaming media platforms. It is forecast to have a CAGR of 25% in the next five years. We initiate coverage on the sports streaming media industry with an “OUTPERFORM” rating. We recommend that investors should grasp investment opportunities from the perspectives of copyright competition resources, capital strength, and tournament operation and original content capabilities.

Other recommendations

❖ **Interest Rate Bond Thematic Report 20190916:** Structural deposit governance helps reduce banks' liability cost, with only small- and medium-sized banks facing balance contraction pressure

❖ **Aviation Airport Aug 2019 Data Tracking Commentary:** Q4 demand may rebound, with Spring Airlines posting the best passenger load factor improvement

❖ **Technology Industry Series Report 8:** TMT 1H19 Results: Numerous bright spots in industrial segments, and wait for industry recovery

❖ **Real Estate Industry Jan-Aug 2019 Operation Data Commentary:** Tightening funding changes the trajectory of enterprise behavior

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|--|--------------|---|
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| | HOLD | Increase relative to market representative index between -10% and 5% |
| | SELL | Decrease relative to market representative index over 10% |
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